GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:4967
ANSWERED ON:20.12.2002
DEBENTURE TRUSTEES
DR. KIRIT SOMAIYA

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the SEBI has asked debenture trustees to abide by the guidelines and take upon the responsibility of debenture trustees;

(b) whether debenture trustees have failed in their duties;

(c) if so, the reasons for the same;

(d) the number of debenture trustees who have been registered with SEBI;

(e) the details of debentures alongwith the amount handled by them;

(f) the details of the number which are public listed and those who are defaulters; and

(g) the action proposed by SEBI to protect the small investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) The Securities & Exchange Board of India (SEBI) have intimated that debenture trustees registered with SEBI are required to abide by the rules, regulations and circulars issued by SEBI.The responsibilities of the debenture trustees are defined as per regulation 15 of the SEBI (Debenture Trustees) Rules and Regulations, 1993.These include the duty to call for periodic reports from the company, take possession of the trust property according to the trust deed, enforce security, ensure payment of interest and redemption amounts due etc.

(b) & (c) Debenture trustees have informed SEBI that they are taking all possible action against defaulting companies, including calling for information on a periodic basis, calling for meetings of debenture holders, filing of suits for winding up of the company in extreme cases, etc.

(d) As on date, 37 debenture trustees are registered with SEBI.

(e) This information is not readily available with SEBI.

(f) SEBI has intimated that as on 31.3.2002, 61 companies which have made public issues following the SEBI (DIP) Guidelines, have defaulted in their obligations such as interest/redemption payments.

(g) : As per SEBI (Disclosure and Investor Protection) Guidelines, 2000, all companies raising resources through issue of debentures should appoint debenture trustees. The trustees are regulated under SEBI (Debenture Trustees) Rules and Regulations, 1993SEBI has also been impressing upon the debenture trustees to take suitable action as per the terms of the offer document and the trust deed in order to ensure that the rights of the small investors are protected at all times.

As per information submitted by the debenture trustees to SEBI, ofthe 61 defaulting cases, suits have been filed in 18 cases; 14 are making payments in a phased manner; 15 have been referred to BIFR and 9 have restructured/ rescheduled their debts.The debenture trustees have further informed SEBI that they are in the process of initiating legal action in some cases.